

## WEEKLY MARKET UPDATE

2018.06.25-06.29

## GLOBAL MARKET PERFORMANCE

**United States:** Stocks closed lower for the week. Within the S&P 500 Index, energy stocks performed best as oil prices reached new four-year highs. Health care and consumer staples shares lagged, dragged lower by drug store operators amid concerns that Amazon.com's acquisition of an online pharmacy could lead to intense price competition and possibly smaller profit margins for the incumbents.

The Wall Street Journal reported that administration officials were planning to bar Chinese firms from investing in U.S. technology companies and impose new limits on U.S. technology exports to China. Trade worries deepened after Harley-Davidson revealed in an SEC filing that it was planning to move some of its motorcycle production overseas to avoid retaliatory tariffs recently announced by the European Union.

On a sector basis, notable developments during the week included the sharp rise in oil prices, which appeared to result from both falling U.S. stockpiles and reports that the Trump administration was aiming to shut down all Iranian crude exports by November 4. The higher prices boosted energy stocks, but the rally in crude oil may have also weighed on the stocks of oil consumers. Financial shares helped lead an early rally Friday, as investors seemed to be relieved that all major U.S. banks cleared the Federal Reserve's annual stress tests.

**Europe:** Key European indexes ended the week lower, weighed down by uncertainty about global trade and political wrangling over immigration. Automotive stocks were lower while energy stocks got a lift, following U.S. demands that its allies cut off Iranian oil imports.

The eurozone headline inflation rate rose above the European Central Bank's target for the first time in more than a year on the back of rising energy prices. According to a preliminary estimate from Eurostat, headline inflation rose 2% in the 12 months to June, faster than the 1.9% annual increase in May. The ECB targets an inflation rate of just below 2%.

**Japan:** Japanese stocks declined for the week. The yen weakened modestly, closing trading on Friday at ¥110.7 per U.S. dollar, which is about 1.7% stronger than the ¥112.7 level at the end of 2017.

The Japanese jobless rate unexpectedly dipped to 2.2% in May, the lowest level since August 1992.

A 6.1 magnitude earthquake shook Osaka, a key industrial area and Japan's third-most populated city, as many workers were commuting to work on Monday, June 18. Koya Miyamae, a senior economist at SMBC Nikko Securities, estimates that the quake will likely crimp Japanese gross domestic product by ¥183.5 billion.

**China:** Fears of a trade war with the U.S. continued to weigh on investor sentiment toward China.

On June 24, China's central bank announced that it would cut the reserve requirement ratio for most banks by 0.5 percentage points in an effort to support economic growth by encouraging banks to expand their lending. Media reports estimated that the RRR change would add more than the equivalent of \$100 billion to the Chinese economy.

The RRR cut and China's slowing growth likely contributed to notable downward pressure on the country's currency, the yuan.

**Source:** Reuters, Troweprice

### WORLD INDICES

| Index       | Country   | Last Price | Change /w/ |
|-------------|-----------|------------|------------|
| MSE TOP 20  | Mongolia  | 19,961.46  | 2.14% ▲    |
| Dow Jones   | USA       | 24,271.41  | -1.26% ▼   |
| S&P 500     | USA       | 2,718.37   | -1.33% ▼   |
| Nasdaq      | USA       | 7,510.30   | -2.37% ▼   |
| S&P/TSX     | Canada    | 16,277.73  | -1.05% ▼   |
| FTSE 100    | GB        | 7,636.93   | -0.59% ▼   |
| S&P/ASX 200 | Australia | 6,194.60   | -0.49% ▼   |
| Nikkei 225  | Japan     | 22,304.51  | -0.94% ▼   |
| Hang Seng   | Hong Kong | 28,955.11  | -1.31% ▼   |

### MONGOLIA RELATED BONDS

| Issuer                  | Currency | Coupon | Last Price |
|-------------------------|----------|--------|------------|
| Mongol 2024 (Khuraldai) | USD      | 8.7%   | 107.46     |
| Mongol 2023 (Gerege)    | USD      | 5.6%   | 94.76      |
| Mongol 2022 (Chinggis)  | USD      | 5.1%   | 93.80      |
| Mongol 2021 (Mazalai)   | USD      | 10.8%  | 111.78     |
| Mongol CNY (Dimsam)     | CNY      | 7.5%   | 100.02     |
| DBM' 23 (Samurai)       | JPY      | 1.5%   | 104.59     |
| TDBM' 2020              | USD      | 9.3%   | 105.41     |

### MARKET RATES

| Rates        | Last  | Change /w/ |
|--------------|-------|------------|
| Libor 1M     | 2.030 | -0.07 ▼    |
| Libor 3M     | 2.336 | 0.00 ▼     |
| Libor 6M     | 2.501 | -0.01 ▼    |
| Libor 1YR    | 2.764 | -0.01 ▼    |
| US 6M Bond   | 2.102 | 0.02 ▲     |
| US 2YR Bond  | 2.516 | -0.01 ▼    |
| US 3YR Bond  | 2.608 | -0.01 ▼    |
| US 5YR Bond  | 2.719 | -0.02 ▼    |
| US 10YR Bond | 2.838 | -0.03 ▼    |

### EXCHANGE RATES

| Against MNT | 2018.06.29 | Change /w/ |
|-------------|------------|------------|
| USD         | 2,462.82   | 0.36% ▲    |
| CNY         | 371.78     | -1.56% ▼   |
| EUR         | 2,862.66   | 0.11% ▲    |
| RUB         | 39.21      | 1.00% ▲    |
| KRW         | 2.21       | -0.45% ▼   |
| JPY         | 22.26      | -0.09% ▼   |

### COMMODITY PRICE

| Commodity       | Last Price | Change /w/ |
|-----------------|------------|------------|
| Gold /spot/     | 1,250.72   | -1.38% ▼   |
| Silver /spot/   | 16.05      | -1.95% ▼   |
| Copper          | 296.90     | -2.88% ▼   |
| Coal            | 111.33     | 3.80% ▲    |
| Crude Oil WTI   | 73.18      | 7.00% ▲    |
| Crude Oil Brent | 78.13      | 5.27% ▲    |
| Natural Gas     | 2.91       | -0.34% ▼   |

### MONGOLIAN MACRO ECONOMIC INDICATORS

| Indicators                               | Reference | Amount |
|--|-----------|--------|
| Inflation Rate                           | 2018. V   | 6.10%  |
| Policy Rate                              | 2018. V   | 10.00% |
| Interbank Rate                           | 2018. V   | 10.00% |
| Deposit Interest Rate /MNT/              | 2018. V   | 12.60% |
| Deposit Interest Rate /Foreign currency/ | 2018. V   | 5.20%  |
| Loan Interest Rate /MNT/                 | 2018. V   | 18.70% |
| Loan Interest Rate /Foreign currency/    | 2018. V   | 10.10% |

**Source:** National Statistical Office, Bank of Mongolia, Bloomberg

## MSE TRADING UPDATE

In this week, a total of 51 companies' 14,738,343 shares worth MNT 2,953.9 million were traded.

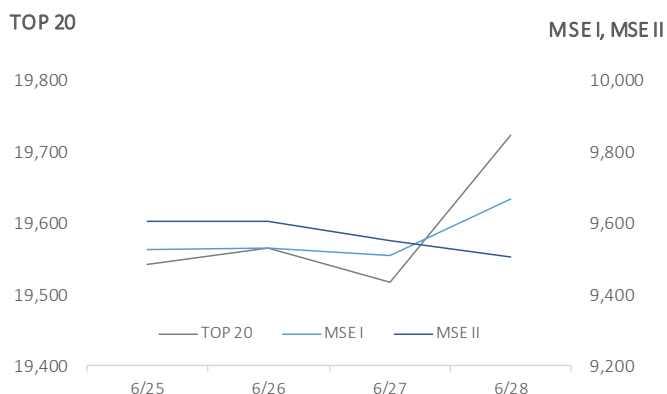
"Khuvsgul Altan Duulga" /ADU/ company's share rose 15.00 percent to MNT 247.45, while "Mongol Securities" /MSC/ company's share fell 27.69 percent to MNT 470.

No government securities were issued on the primary market during this week.

On the secondary market of Government securities, 1,904 units of securities were traded for MNT 196 million.

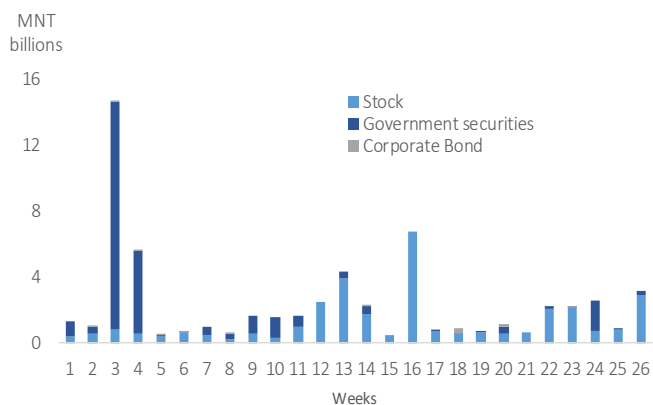
As of June 29, total market capitalization of MSE is MNT 2,481.9 billion. The TOP-20 index increased by 2.14% to stand at 19,961.43 units.

### MSE Indices



Source: Mongolian Stock Exchange

### Trading Value /week by week/



Source: Mongolian Stock Exchange

### STOCK MARKET REVIEW

| Review                | Total amount /MNT mln/ |
|-----------------------|------------------------|
| Total Value           | 3,149.9                |
| Market Capitalization | 2,481,879.4            |

### STOCK MARKET INDICES

| Index        | Last Price | Change /w/ |
|--------------|------------|------------|
| MSE Top 20   | 19,961.46  | 2.14% ▲    |
| MSE I Index  | 9,823.90   | 3.14% ▲    |
| MSE II Index | 9,633.86   | 0.31% ▲    |

### ACTIVELY TRADED SECURITIES

| Company           | Volume    | Turnover /MNT/ |
|-------------------|-----------|----------------|
| APU               | 1,881,271 | 1,208,991,305  |
| Khukh Gan         | 5,152,102 | 437,973,720    |
| E-Trans logistics | 5,119,779 | 435,176,799    |
| BDSec             | 401,956   | 401,984,800    |
| Erdene Resource   | 154,279   | 101,019,349    |

### SECURITIES WITH MOST GROWTH

| Company               | Last Price /MNT/ | Change /w/ |
|-----------------------|------------------|------------|
| Khuvsgul Altan Duulga | 247.45           | 15.00% ▲   |
| Kharkhorin            | 1,600.00         | 14.29% ▲   |
| Khukh Gan             | 95.00            | 11.76% ▲   |
| Frontier Land Group   | 320.00           | 10.34% ▲   |
| APU                   | 633.39           | 9.64% ▲    |

### SECURITIES WITH MOST DECLINE

| Company           | Last Price /MNT/ | Change /w/ |
|-------------------|------------------|------------|
| Mongol Securities | 470.00           | -27.69% ▼  |
| Berkh Uul         | 730.00           | -14.12% ▼  |
| Agrotechimpex     | 1,075.00         | -13.10% ▼  |
| Binse             | 350.00           | -13.04% ▼  |
| Darkhan Hotel     | 144.00           | -7.10% ▼   |

### MOST ACTIVE BROKERAGE FIRMS

| Company             | Trading amount /MNT/ |
|---------------------|----------------------|
| BDSec               | 2,868,820,996        |
| Bumbat Altai        | 1,602,994,926        |
| Golomt Capital      | 486,975,975          |
| Gendex              | 142,307,332          |
| Standart Investment | 94,829,084           |

### COMPANIES WITH HIGHEST MARKET CAPITALIZATION

| Company                        | Last Price /MNT/ | Market Cap. /MNT mln/ |
|--------------------------------|------------------|-----------------------|
| APU                            | 633.39           | 674,042               |
| Tavan Tolgoi                   | 9,655.00         | 508,483               |
| Mongolian Mortgage Corporation | 11,000.00        | 227,803               |
| Gobi                           | 24,020.00        | 187,383               |
| Suu                            | 215.00           | 73,690                |

## GOVERNMENT SECURITY TRADING

Government securities /secondary market/

| Nº | Name                          | Volume | Turnover /MNT/ | Minimum /MNT/ | Maximum /MNT/ | Weeks | Annual interest rate |
|----|-------------------------------|--------|----------------|---------------|---------------|-------|----------------------|
| 1  | ZGEB-BD-04/07/19-A0266-14.82  | 27     | 2,700,000      | 100,000       | 100,000       | 104   | 14.820%              |
| 2  | ZGEB-BD-04/07/19-A0266-14.82  | 113    | 11,300,000     | 100,000       | 100,000       | 104   | 14.820%              |
| 3  | ZGEB-BD-09/05/19-A0242-15.995 | 201    | 20,100,000     | 100,000       | 100,000       | 104   | 15.995%              |
| 4  | ZGEB-BD-11/04/19-A0230-18     | 1,000  | 105,150,000    | 105,150       | 105,150       | 104   | 18.000%              |
| 5  | ZGEB-BD-14/02/19-A0208-18     | 64     | 6,400,000      | 100,000       | 100,000       | 104   | 18.000%              |
| 6  | ZGEB-BD-14/03/19-A0219-18     | 200    | 20,440,000     | 102,200       | 102,200       | 104   | 18.000%              |
| 7  | ZGEB-BD-20/06/20-A0260-15.14  | 240    | 24,000,000     | 100,000       | 100,000       | 156   | 15.140%              |
| 8  | ZGEB-BD-26/09/19-A0326-13.955 | 59     | 5,896,460      | 99,940        | 99,940        | 104   | 13.955%              |

## DIVIDEND INFORMATION

| Nº | Ticker | Company name                                 | Dividend per share /MNT/ | Total dividend /MNT mln/ | Date of resolution | Record date | Payment date       | Distribution   |
|----|--------|--|--------------------------|--------------------------|--------------------|-------------|--------------------|----------------|
| 1  | ERS    | Mongol Alt                                   | 150.00                   | 39.88                    | 2018.04.27         | 2018.04.05  | within 2018.12.31  | N/A            |
| 2  | TEE    | Teever Darkhan                               | 500.00                   | 81.67                    | 2018.04.27         | 2018.04.05  | within 2018.12.31  | N/A            |
| 3  | TTL    | Tavan Tolgoi                                 | 2,410.00                 | 126,923.13               | 2018.04.16         | 2018.04.03  | paid on 2018.06.12 | MCSD account   |
| 4  | EER    | Arig Gal                                     | 21.33                    | 74.21                    | 2018.04.25         | 2018.04.02  | from 2018.09.01    | N/A            |
| 5  | BDL    | Mogoin gol                                   | 100.00                   | 82.96                    | 2018.04.26         | 2018.01.18  | paid on 2018.06.26 | MCSD account   |
| 6  | DSS    | Darkhan Selengiin tsakhilgaan tugeekh suljee | 56.60                    | 7.66                     | 2018.03.07         | 2018.03.27  | from 2018.07.02    | N/A            |
| 7  | TAL    | Talyn Gal                                    | 50.00                    | 34.71                    | 2018.03.05         | 2018.04.26  | within 2018.12.31  | N/A            |
| 8  | BRC    | Barilga Corporation                          | 700.00                   | 28.46                    | 2018.02.24         | 2018.03.16  | N/A                | N/A            |
| 9  | AND    | And Energy                                   | 1.27                     | 99.15                    | 2018.02.24         | 2018.03.16  | N/A                | N/A            |
| 10 | SUL    | Juulchin Duty Free                           | 10,000.00                | 653.62                   | 2018.02.23         | 2018.04.11  | from 2018.05.01    | at the company |
| 11 | GTL    | Gutal  | 1,270.00                 | 83.01                    | 2018.02.19         | 2018.03.18  | from 2018.07.06    | N/A            |
| 12 | BNG    | Bayangol Hotel                               | 355.00                   | 150.19                   | 2018.02.19         | 2018.04.06  | from 2018.09.01    | at the company |
| 13 | APU    | APU  | 10.00                    | 10,641.82                | 2018.02.19         | 2018.03.29  | paid on 2018.05.17 | MCSD account   |
| 14 | BTG    | Bayanteeg                                    | 100.00                   | 25.26                    | 2018.02.19         | 2018.03.12  | within 2018.06.01  | MCSD account   |
| 15 | MIE    | Materialimpex                                | 10.00                    | 13.68                    | 2018.02.19         | 2018.03.26  | paid on 2018.04.17 | MCSD account   |
| 16 | HRD    | Khurd  | 497.00                   | 67.23                    | 2018.02.15         | 2018.02.23  | within 2018 .06.30 | N/A            |
| 17 | SUU    | Suu  | 3.00                     | 1,032.00                 | 2018.02.14         | 2018.04.05  | paid on 2018.06.04 | MCSD account   |
| 18 | MNP    | Mongol Post                                  | 3.68                     | 366.48                   | 2018.02.13         | 2018.04.13  | paid on 2018.06.05 | MCSD account   |
| 19 | MMX    | Makhimpex                                    | 100.00                   | 380.07                   | 2018.02.13         | 2018.04.05  | from 2018.10.01    | at the company |
| 20 | TCK    | Talkh Chikher                                | 170.00                   | 174.03                   | 2018.02.12         | 2018.04.06  | from 2018.07.01    | at the company |
| 21 | GHC    | Gan Khiits                                   | 100.00                   | 24.25                    | 2018.02.09         | N/A         | N/A                | N/A            |
| 22 | ADL    | Aduunchuluun                                 | 130.00                   | 409.67                   | 2018.02.07         | 2018.03.01  | paid on 2018.06.26 | MCSD account   |
| 23 | TAH    | Takhi Ko                                     | 108.00                   | 128.52                   | 2018.02.05         | 2018.03.30  | within 2018.05.01  | MCSD account   |
| 24 | UBH    | Ulaanbaatar Khivs                            | 100.00                   | 40.48                    | 2018.02.05         | 2018.02.26  | from 2018.05.01    | MCSD account   |
| 25 | GOV    | Gobi   | 220.00                   | 1,716.25                 | 2018.02.02         | 2018.03.27  | paid on 2018.04.24 | at the company |
| 26 | HRM    | Hermes Center                                | 5.00                     | 392.72                   | 2018.01.24         | 2018.02.15  | paid on 2018.04.12 | MCSD account   |

## CAPITAL MARKET NEWS

### General meeting of FRC held on June 29

License to issue asset backed securities were given to “MIK active arvan zurgaa (sixteen)” LLC for a period not shorter than the issued mortgage backed security’s payment duration and a total of 1,170,673 mortgage backed securities with a duration as long as 30 years, and a par price of MNT 100,000 were registered. Regarding the asset backed security registration decision Mongolbank president N.Bayartsaikhan, Minister of Finance Ch.Khurelbaatar were advised to regularly review and monitor asset-backed securities traders, obligor, and service providers, submit reports to the FRC about mortgage financing and utilizations, and focus on the development of the market.

Also, the FRC discussed the issue of registering ordinary shares of “Khuvs gul altan duulga” JSC and registered 4.4 million shares with a par price of MNT 10 and made adjustments to the total issued shares to be 15.7 million shares. The FRC approved the company’s plan to offer 3.3 million shares to strategic investors for a fixed price of MNT 850 each, and the remaining 1.1 million shares to the public for the same price.

**Source:** Financial Regulatory Commission

### Trading halt of “Khuvs gul Altan Duulga” JSC

The securities trading of ‘Khuvs gul Altan Duulga’ JSC has been halted from 29 June 2018, due to issue of additional shares, which is approved by the Shareholders meeting of ‘Khuvs gul Altan Duulga’ JSC, held on 2 April 2018.

**Source:** Mongolian Stock Exchange

### “Aduunchuluun” and “Mogoin Gol” stock companies have allocated 2017 dividends to its clients’ accounts

In 2017, “Aduunchuluun” and “Mogoin Gol” joint stock companies distributed MNT 130 (MNT 117 after tax) and MNT 100 (MNT 90 after tax) dividends per share respectively.

The companies have allocated these dividends to its clients’ accounts on June 26.

**Source:** Mongolian Central Securities Depository



### “Suu Bond” matured

The ‘Suu’ JSC, a tier-1 listed company at MSE, issued “Suu Bond” and raised MNT6.0 billion from the public on June 29th, 2017, which became the largest debt offering on the market to date. ‘Suu Bond’ was backed by its shares and offered an annual interest rate of 17.5%, which attracted public interest due to the high yield it offered while exemplifying to other companies and businesses the possibilities of cost-effective capital-raising. The bonds were actively traded in the secondary market, reaching a total turnover of MNT 4.8 billion.

Today, the company’s “Cooperation Agreement” signed with the MSE concluded successfully upon the full repayment of principle and coupon payments of ‘Suu Bond’ to the bondholder’s accounts.

**Source:** Mongolian Stock Exchange



### 7 companies have raised MNT 60.4 billion from the capital market for the last 3 years

7 companies have raised MNT 60.4 billion from the capital market for the last 3 years. According to the Mongolian Stock Exchange, 20 companies have raised MNT 116.6 billion since 2005. Companies that launch IPOs or FPOs introduce their spending of funds raised from public. The Board re-approves the spending plan after the IPO launching. In other words, spending can be changed if the project is unable to be implemented.

MSE reported that no companies except “Mongol Post” violated the law. In 2015, “Mongol Post” issued additional shares raising MNT 6.3 billion, but the fund was not used on its purpose and the company was fined by FRC.

Professional institutions check spending of raised funds on regular basis. MSE emphasizes that newly listed companies are regularly reporting their fund spending. For instance, “Ittools” JSC reported that the construction of a modular data center in Darkhan is almost completed and it will be ready to start operating after 1 month.

“And Energy” JSC has just started the construction of a new plant. The company is planning to finish it in August.

“LendMN” JSC used 12 percent of its raised fund through IPO and earned net profit of MNT 475 million in the first quarter, which is 20 times higher than the 2017 annual net profit.

**Source:** BloombergTv.mn

## COMMODITY MARKET NEWS

### Steppe Gold Provides Development Update for “Altan Tsagaan Ovoo” Gold Project

Steppe Gold Limited announced the development update towards initial production from its flagship Altan Tsagaan Ovoo Gold Project (ATO). The Company remains under budget for the development of the ATO heap leach project.

Over the past 10 months Steppe Gold has received all land certificates for the ATO project area.

Mining Contracts have been agreed with Mongolia’s leading operators. All mining contractors have demonstrated significant commitment and ability to establish their presence on site. The open pit mining contractor has now mobilized to site. The stock price has risen 11 percent after this announcement.

In May, the company launched IPO on the Toronto Stock Exchange and raised CAD 25 million. However, stock price decreased by 38 percent after its IPO.

This year, the company plans to drill 20 thousand meters and start its production.

**Source:** BloombergTv.mn

### The Chinese anthracite coal import rose 40 percent in May

Chinese coking coal import increased by 30.75 percent year-on-year or 33.9 percent from April to 6.08 million tons.

Especially, anthracite coal import rose 40 percent year-on-year to 910 thousand tons, according to the Chinese Customs General Administration. Brown coal export increased by 7.5 percent to 7.93 million tons.

In the first 5 months of 2018, Mongolia has exported 14.31 million tons of coal, which is 5 percent lower than in the same period of the previous year. Coal output has risen 5.5 percent to 4.36 million tons, according to the National Statistical Office.

**Source:** BloombergTv.mn

### Parliament approves Erdenes Tavan Tolgoi IPO

Parliament ended its spring session on Friday. As lawmakers concentrated on approving the bill to accelerate the Tavan Tolgoi megaproject put forth by Cabinet, Parliament conducted the final review of Cabinet’s bill on Friday.

As the majority of legislators in attendance voted for the bill, the government’s proposal to launch the IPO of Erdenes Tavan Tolgoi by offering 30 percent of the company on domestic and foreign stock exchanges was supported.

The attendance of lawmakers for the spring session on average was 83 percent, which shows a notable improvement compared to the fall session. The majority of lawmakers in attendance did not support the standing committee’s decision and voted against DP’s proposal to launch 34 percent of shares as an IPO.

**Source:** BloombergTv.mn



### Local petroleum refineries will be able to provide 70% of consumption

The petroleum refinery project officially started in Altanshiree soum of Dornogovi aimag. Currently, about one fourth of Mongolia’s fuel imports are petroleum products. It’s safe to say that fuel supply depends solely on Russia. The working group estimates that the production of oil refineries will decrease foreign exchange outflows by 20 percent, and increase GDP by 10 percent.

With the oil refineries, an additional USD 150 million tax income will be concentrated annually, approximately 600 jobs will be created, and the base for developing small-scale chemical plastic industries will be made possible. The prime minister U.Khurelsukh emphasized the fact that the initial investment payback period is approximately 10 years and all financial problems have been solved. According to the Ministry of Mining and Heavy Industries the petroleum refinery has the capacity to supply 70% of local petroleum demands. In addition to the refinery, large infrastructure and related projects are planned. The biggest project is the construction of a 500-km transmission line to the factory. The initial feasibility study according to the Indian parties estimated the cost to be approximately USD 600 million but after discussions it was deemed possible to be constructed within a budget of USD 350 million noted Minister of Mining and Heavy Industries D.Sumiyabazaar.

The main raw material is expected to be withdrawn from the Tamsag basin and current reserve is estimated to be 43 million tons. In other words based on current reserve estimates, the plant can operate continuously for 40 years. “Further explorations will increase reserve estimates” noted prime minister U.Khurelsukh.

“UBTZ” will be in charge of constructing a 27 km railroad connecting the plant and the construction is set to finish in October 2019. Also a power plant with a capacity of 6.3 megawatts and 18 km aerial line will be built. The development projects are for the needs of Dornogovi aimag along with the needs of the refinery. The ministry also reported that a 16km heavy-duty road will be built. All infrastructure constructions are set to finish in 2019.

**Source:** BloombergTv.mn

## OTHER NEWS

### “Dim Sum” bond matured on June 30

“Dim Sum” bond issued by the the Mongolian government in 2015 matured on June 30, 2018. In the secondary market, the price of “Dim Sam” bond had fluctuated around USD 100, which is 0.6 percent lower than in the beginning of the year. The bond yield from buy side reached the highest level to 10 percent in June, but as its last movement the bond yield had reached 8 percent. The bond yield from sell side is accounted for -11.5 percent.

“Dim Sum” bond’s annual interest rate is 7.5 percent. Last year, the Government of Mongolia issued “Gerege” bond worth USD 800 million, of which USD 160 million was spent for the repayment of the “Dim Sum” bond.

According to the Minister of Finance, Mongolia repays debt worth MNT 750 billion, of which MNT 620 billion is principal repayment and MNT 130 billion is coupon repayment.

**Source:** BloombergTv.com

### Inflation factors

One-time and supply factors make the major impacts on inflation. On the other hand, a rise in import prices has slowed down, according to the Bank of Mongolia. In the first quarter, inflation was slightly higher than anticipated due to a rise in solid fuel prices. In the future, demand factors are likely to grow due to the recovery in the economy. However, Inflation report in June emphasized that inflation rate will remain relatively stable in the coming years and will be kept at the target level. As of May, inflation in Ulaanbaatar was accounted for 6.6 percent and state inflation rate was accounted for 6.1 percent. The inflation target of the Bank of Mongolia is set at 8 percent. Factors that causes uncertainty are the price of state regulated goods and services, the weather conditions, and the increase of public servants’ salaries. Also, trade war between USA and China, Russian economy, oil prices and other geopolitical issues are likely to cause uncertainty in pre-estimation of inflation.

In addition, non-food inflation is expected to rise slightly due to the fact that mining sector is likely to intensify. In addition, food inflation is expected to lower.

**Source:** BloombergTv.mn

### Bank loans to business entities have increased by 500 billion from the previous quarter

Commercial bank loans to business entities have increased by 7 percent from the previous quarter to MNT 434 billion.

This is higher by MNT 300 billion from the previous month or by MNT 500 billion from the previous quarter. Currently, the Bank of Mongolia is pursuing a policy to extend business loans. BoM limited the debt-to-income ratio to be less than 70 percent. This action will lower the debt burden on citizens and support business lending.

A rise in business lending decreased interest rate by 0.7 percent. As a result, companies will start raising funds from the capital market.

In 2017, “Itools” and “And Energy” companies attracted MNT 2.9 billion from the capital market. As of 2018, “LendMN” and “Mongol Basalt” companies have raised MNT 11.4 billion, which is 5 times higher than in 2017.

**Source:** BloombergTv.mn

### IMF Executive Board Completes Fourth Review under the Extended Arrangement for Mongolia

On June 27, 2018, the Executive Board of the International Monetary Fund completed the fourth review of Mongolia’s performance under the program supported by a three-year extended arrangement under the Extended Fund Facility. Completion of the review enables Mongolia to draw the equivalent of SDR 26.2088 million (about US\$ 36.91 million), bringing total disbursements under the arrangement to SDR 131.0366 million (about US\$ 184.55 million).

Mongolia’s performance under the program remains strong. The combination of strong policy implementation and a supportive external environment has helped the authorities over-perform on all end-March 2018 quantitative targets under the program. Progress has also been made on structural reforms, albeit with some delays.

**Source:** BloombergTv.mn

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